

Message Text

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ACTION EB-07

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FM AMEMBASSY BANGUI

TO SECSTATE WASHDC 7404

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E.O. 11652: N/A

TAGS: ECON, CT

SUBJECT: PRICE CONTROLS IN THE CAR

1. PRESIDENT BOKASSA ANNOUNCED JULY 2 AND REINFORCED JULY 13 AND 15 THE IMPOSITION OF A SET OF PRICE FREEZES ON ALL COMMODITIES, GOODS AND SERVICES SOLD IN THE CAR. PUNISHMENT FOR SELLING ITEMS PRICED IN EXCESS OF THEIR JULY 2 LEVEL WAS SET AT UP TO FIVE YEARS IMPRISONMENT, CFA 5 MILLION. (US \$20,000) FINE, AND CONFISCATION OF ALL STOCKS.

2. IN ANNOUNCING THREEDECREE, BOKASSA ADDRESSED HIMSELF TO THE SUDDEN RISE IN THE PRICE OF ESSENTIAL COMMODITIES WHICH HE SAID CREATED AN EXTREME HARDSHIP FOR THE CAR PEOPLE. HE ACCUSED THE NATION'S MERCHANTS OF DELIBERATELY CREATING FALSE SHORTAGES IN ORDER TO INCREASE PRICES. HE ALSO ASKED THE SUPPORT OF COMMERCIAL AGENTS, INDUSTRIALISTS AND BUSINESSMEN OF THE CAR IN QTE REDUCING THE EFFECTS OF THE WORLD ECONOMIC CRISIS UPON THE POPULATION OF THE CAR UNQTE BY ELIMINATING QTE SHAMELESS SPECULATION UNQTE AND RESTORING THEIR STOCKS OF NECESSITIES.

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3. COMMENT: THREE FACTORS APPEAR TO HAVE INFLUENCED THIS LATEST ACTION: A. GOCAR IS CONCERNED ABOUT THE POLITICAL AND ECONOMIC EFFECTS OF A RENEWED RUNAWAY INFLATION. AN ANNUAL INFLATION RATE OF 23.6 PERCENT IN 1974 PLAYED HAVOC WITH GOCAR BUDGETS AND DEVELOPMENT PROGRAMS. SALARY DEMANDS OF THE LARGE CIVIL SERVICE REPRESENTED A POLITICAL PROBLEM GIVEN GOCAR'S STRAINED FISCAL POSITION. THE MAJOR FACTOR IN REDUCING THE INFLATION RATE IN 1975 TO 6.2 PERCENT WAS A SUCCESSFUL PRICE FREEZE ON ENERGY, WHICH HAS RISEN 55.6 PERCENT DURING THE PREVIOUS YEAR. ALTHOUGH THE PRESENT GENERAL PRICE INDEX CONTINUES TO BE HELD IN CHECK BY THE CURRENT MALAISE OF THE CAR ECONOMY, THERE HAVE BEEN SIGNS OF RENEWED INFLATION DURING THE FIRST SIX MONTHS OF 1976. PRICES OF SALT, MILK AND SUGAR ROSE 20-50 PERCENT DURING THIS PERIOD. THUS, IT APPEARS BOKASSA IS TRYING TO NIP IN THE BUD ANY POSSIBILITY OF A RETURN TO 1973-74 CONDITIONS.

B. THE MOVE IS PART OF AN ATTEMPT BY BOKASSA TO GET A MORE DIRECT AND PERSONAL CONTROL OVER THE ECONOMY. IN THE PAST FIVE MONTHS, THIS EFFORT HAS INCLUDED THE ABOLITION OF THE DEVELOPMENT BANK (OVER WHICH HE HAD LITTLE CONTROL) AND THE CREATION OF NUMEROUS GOVERNMENT-SPONSORED COMPANIES. THESE INCLUDE A MARITIME COMPANY, AN ASSOCIATION FOR MARKETING OF COFFEE, AN ENTERPRISE FOR TIMBER EXPLOITATION, A TRANSPORT VENTURE, AN AGRO-INDUSTRIAL COMMERCIAL SOCIETY, A CIGAR MANUFACTURING PLANT AND A BANK.

C. BOKASSA CONTINUES TO FRET OVER THE INFLUENCE THAT FOREIGN CONCERNS HAVE OVER THE CAR ECONOMY, ESPECIALLY THE COMMERCIAL SECTOR. THE SPECIAL STATUS OF THE CAR IN THE CFA ZONE, THOUGH HIGHLY ADVANTAGEOUS ON BALANCE FROM THE STANDPOINT OF CURRENCY CONVERTIBILITY AND ACCESS TO THE FRENCH MARKET, PREVENTS GOCAR FROM ADOPTING EXCHANGE CONTROL MEASURES. TARIFFS, QUATAS, AND OTHER BARRIERS TO TRADE ARE RESTRICTED BY GOCAR'S INVOLVEMENT IN UDEAC AND BY SPECIAL AGREEMENTS WITH THE EEC AND FRANCE. THUS, PRICE (AND THEREBY PROFIT) CONTROLS OVER THE PRODUCTS SOLD IN THE CAR REPRESENT PERHAPS THE MOST DIRECT MEANS OF CONTROLLING FOREIGN INTERESTS.

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4. IT IS NOT LIKELY THAT THIS LATEST DECREE WILL BE SUCCESSFUL. GOCAR PRICE FREEZES IN THE FACE OF FUNDAMENTAL ECONOMIC CONDITIONS LEADING TOWARDS INFLATION CAN ONLY WORK WHEN THEY DEAL WITH PRODUCTS SOLD BY THE GOVERNMENT ITSELF (E.G., ENERGY). THE PRESSURES LEADING TOWARDS INFLATION IN THE CAR ARE REAL AND NOT THE CONCOCTION OF THE FOREIGN MERCHANT CLASS. THOUGH THE LIKELIHOOD OF BLACK MARKETS IN ESSENTIAL PRODUCTS IS LOW, TACIT NEGLECT

IN ENFORCING THE DECREE WILL LIKELY OCCUR WITHIN A SHORT
TIME. SUCH NEGLECT IS ALREADY IN EVIDENCE IN THE FISHING
SECTOR, WHERE A MODEST PRICE INCREASE HAS BEEN DECRIED
BUT NOT COUNTERMANDED. END COMMENT.
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